

00851

1987/01/20

UNCLASSIFIED

United States Department of State
Bureau of Intelligence and Research

China: Discrepancies in Foreign Trade Statistics

Intelligence Research Report

No. 62
January 20, 1987

Key Judgments

China publishes two major sets of foreign trade statistics that vary in important respects in scope of coverage.^{1/} Statistics compiled by the General Administration of Customs and the Ministry of Foreign Economic Relations and Trade (MOFERT) are widely reported in China's press. The publication of more than one set of "official" figures on China's foreign trade has caused confusion for many foreigners, but several observations can be made:

- In general, Customs statistics are considered more comprehensive and compatible with international practice.
- Both Customs and MOFERT statistics generally include only merchandise trade.
- Both sets of figures--but especially those published by MOFERT--undervalue China's exports and bias China's balance of trade against some trading partners, including the US.
- Neither set of statistics adequately accounts for the final destination of transshipments. Much of the discrepancy

^{1/} Foreign trade statistics also are reported by the Bank of China; these reflect the flow of funds rather than merchandise trade.

UNCLASSIFIED

UNCLASSIFIED

- 2 -

between US and Chinese figures on China's exports to the US can be accounted for by Chinese transshipments through Japan and Hong Kong which the Chinese list as exports to their intermediate destination.

* * * * *

UNCLASSIFIED

UNCLASSIFIED

- 3 -

General Administration of Customs Figures More Authoritative

In general, Customs statistics are regarded as more comprehensive and more compatible with international practice because:

- Customs figures are based on standard international trade classifications used by the United Nations Statistical Office in terms of range of coverage, commodity classification, trading partner, price computation, and other indicators;
- MOFERT figures are the Ministry's "administrative" statistics developed by MOFERT to conform to China's internal planning and statistical system;
- in general, Customs figures attempt to include virtually all movement of goods across China's borders; the Customs Administration compiles its statistics from Customs declaration forms;
- MOFERT figures are more limited in scope--generally confined to transactions by corporations under the Ministry's jurisdiction--and are compiled on the basis of reports submitted by factories, mines, and other enterprises authorized to engage in foreign trade;
- Customs figures tend to correspond more closely than those issued by MOFERT to figures reported by China's trading partners.

Limitations of Customs and MOFERT Foreign Trade Statistics

Both sets of figures generally represent only merchandise trade. Other balance-of-payments categories--including tourism, remittances from abroad, export of labor and technical services, and interest--are not included, nor are earnings from shipping (other than when included in c.i.f. figures for imports), earnings from services to foreign shippers and airlines, revenues from China's national airline, or other nonmerchandise transactions. It seems likely that not all arms transfers are reflected in either set of figures.

Since 1981, Chinese Customs statistics consistently have reported lower figures for exports to the US, Australia, France, Italy, and Singapore than figures reported by those trading

UNCLASSIFIED

UNCLASSIFIED

- 4 -

partners. Chinese Customs statistics generally reported higher figures for exports to West Germany, the United Kingdom, and Hong Kong for years prior to 1984, but lower figures for 1984 and 1985. The gaps between Chinese Customs statistics on exports to Japan and Canada and figures reported by those two countries are relatively small.

In the category of "petroleum and petroleum products," US import figures were considerably higher than comparable Chinese Customs export statistics for 1985, accounting for some 20 percent of the overall statistical discrepancy for all trade categories. Chinese Customs Administration officials attribute this difference to transshipment of Chinese crude oil through Japan. The Customs Administration generally counts shipments of crude oil to China's major storage facilities in Japan as exports to Japan, but the US counts imports from those facilities as imports from China. In 1985, China transshipped an estimated 2 million tons of crude oil, worth about \$400 million, through Japan to the US.

In addition, both MOFERT and Customs statistics:

- are believed to underreport local government trade; MOFERT's figures appear to be less comprehensive in this regard; this problem was especially pronounced in 1985;
- report imports on a c.i.f. (cost, insurance, and freight) basis and exports in f.o.b. (free-on-board) terms; most analysts believe that the c.i.f. figure overestimates the cost of imports more than is the case for other countries that report on this basis because a large percentage of Chinese imports are carried in Chinese bottoms, involving little or no foreign exchange costs.

Differences in Timing and Scope of Customs and MOFERT Figures

Technical differences in the coverage of Customs and MOFERT trade statistics include the following:

- Customs records exports from the time when the conveyance carrying the goods clears customs, and lists goods as imported on the date when the goods are approved for release and entry. MOFERT counts imports on the date when the conveyance bringing the goods arrives in the first port of entry. MOFERT apparently reports exports from the loading date on the export loading certificate as the date of export. This means MOFERT figures often lead Customs figures on imports but lag on exports, when both include the same transaction.

UNCLASSIFIED

- 5 -

--Customs includes only transactions which take place on Chinese territory, while MOFERT reports all transactions by its subsidiary corporations, including triangular or intermediary trade.^{2/} MOFERT lists goods involved in direct barter trade. Customs does not.

--Customs includes the value of imported parts and materials for export processing. MOFERT does not. Customs includes the total value of processed goods exported. MOFERT includes as exports only the "value added" in processing arrangements (e.g., labor costs, processing fees).

--Customs compiles import and export statistics without regard to whether goods are related to foreign investment, and counts both the value of imported components and materials and the full value of exported finished or semi-finished products. MOFERT does not consider imports of technology, raw and processed materials, and goods or materials for investment as imports. MOFERT records the value of such "imports" as utilization of foreign capital.

--MOFERT compiles statistics on the value of multilateral and bilateral grants, including imported materials, lecture fees, training fees, etc., but does not include them in import-export figures. Customs counts as imports and exports the value of customs-cleared commodity aid and material donations and gifts as reported on Customs declaration forms.

--Customs includes in its figures the value of goods taken in and out of China in excess of allowable levels by joint ventures, representative offices, and individuals. MOFERT does not.

--MOFERT includes as exports all retail sales in domestic foreign currency stores (including sales in "friendship stores," supplies sold to foreign ships and airlines, and

^{2/} Although MOFERT statistics include such entrepot trade, neither set of figures consistently reflects the final destination of exports. Many transshipments through Hong Kong, for example, are believed to be listed by China as exports to Hong Kong. This factor in particular is thought to account for much of the discrepancy between Chinese and US figures on Chinese exports to the US. It is often difficult, however, to tell whether reexports to the US from Hong Kong represent the initiative of Hong Kong merchants or the original intended destination of goods from China.

UNCLASSIFIED

- 6 -

commodities sold to Chinese-foreign joint ventures for foreign exchange). Customs does not.

According to the Chinese, there is no difference between MOFERT and Customs statistics in computing the exchange rate applicable to a particular transaction. Both reportedly compute the value of transactions at the official exchange rate at the time when goods are entered into their respective records.

Prepared by Christopher M. Clarke
647-1343

Approved by Richard A. Clarke
647-2402

UNCLASSIFIED